

From Theory to Practice: The Paradox of Neoliberal Hegemony in 21st Century World Politics

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Abstract

Neoliberalism is more than an ideology. It is the hegemonic theory and practice of the late 20th and 21st centuries. It has become dominant in world politics because of a lack of effective alternatives in a rapidly changing structural environment, especially globalisation. However, this chapter argues first of all that neoliberalism is characterised by a critical range of tensions and contradictions. At its heart is the concept of competition, not only in the economic system but in human society and behaviour generally; social behaviour is merely the sum total of individuals' actions. People are seen as generating modernity and progress in a complex range of ways, biological, metaphysical, evolutionary and ideological. The main policy dimensions include free trade, financial orthodoxy, arm's-length regulation, privatisation, the cutback of public services and the like, each of which has given rise to significant critiques and political conflicts. However, neoliberalism has been 'overdetermined'. It is deeply embedded today in both policymaking and discourse despite – but partly because of – these tensions. This chapter argues that the fundamental paradox is between whether neoliberalism derives from spontaneous human behaviour, like classical liberalism, or whether it requires a strong state to monitor and enforce it, as in Ordoliberalism.

I. Introduction: Neoliberalism as a Dominant Practice

Neoliberalism is the hegemonic theory, ideology, and doctrine of the late 20th and now of the 21st century. In approaching this topic, I will first argue that the significance of neoliberalism stems not simply from the ideas—the theory and ideology—that lie behind its emergence and evolution, but in the varied ways it has been put into practice. This is at the core of how world politics and political economy have themselves evolved in recent decades. Second, I will outline some of the complexities and tensions intrinsic to neoliberal theory and ideology—its core theoretical *problématique*, followed by an examination of the relationship between explanations and norms characteristic of neoliberalism, with particular reference to concepts such as competition, human nature, price efficiency and the role of the state. This leads into an outline of the trajectory of neoliberalism, from the different schools it has involved to the various dimensions of neoliberalism in practice. Finally, I will consider the complex politics of neoliberalism today and its relationship to what I see as the dominant strand or version of neoliberalism in both theory and practice—what I call post-Ordoliberalism.

At one level, therefore, neoliberalism represents the latest phase in the long-term evolution of ideas and practices in Western society, international institutions and processes, and, increasingly, in the underdeveloped or ‘developing’ world, stretching back to liberal theories of modernity from approximately the 18th century to today (Laval 2007). At the same time, however, it involves a radical ‘branching point’ in the path dependent trajectory of recent decades, dominating the conduct of elites and the popular perception of the core problematics of the current era—where the nation-state is increasingly surrounded and cut across by a dialectic of globalisation and fragmentation (Cerny and Prichard 2017). In this process, neoliberalism is exceedingly flexible. It covers a range of theoretical and practical contradictions, tensions and conundrums that can be pursued in diverse ways in a range of policy processes and institutional transformations from the local to the global. Finally, it provides a set of road maps for diverse political, social and economic actors.

I argue that this process is primarily governed by changes in market structures from the local to the transnational, from the ‘Fordist’ Second Industrial Revolution to the ‘flexible’ Third (and Fourth), from material production to ‘intangibles’, from production to consumption, from the proactive nation-state pursuing public goods to a ‘disaggregated’, privatised and pseudo-deregulated ‘reactive’ or ‘residual’ state. Other theories and ideologies are increasingly seen as

anachronistic, easily bypassed and whipsawed, from the uneven development of polycentric global governance, to the hegemony of special—mainly transnational and often oligopolistic—economic interests, to diverse popular reactions from populism to a world-wide ‘new anarchy’ characterised by Durkheimian *anomie* and an increasingly heterarchical playing field (Belmonte and Cerny 2019). Neoliberalism has been a kind of muddling through in an unstable and rapidly changing world.

II. Neoliberalism as a Theoretical *problématique*

In political and social science theory in general, theorisation and ideology are inextricably intertwined. In the natural sciences, theory entails the attempt to find objective explanations for particular phenomena through the testing of hypotheses, systematic observation and/or laboratory experimentation on physical, biological or other material objects extrinsic to the researcher, and the replicability and/or falsifiability of results, especially using quantitative methods to operationalise the research questions and assess the outcomes. In contrast, theorising in the social and political sciences always involves the hypothesising, problematisation and consideration of value-laden premises, whether explicit conjectures or implicit assumptions, and the consequential adoption of particular contested methodologies; quantification is a particularly debated example (Linsi and Mügge 2018). Empirical evidence can always be interpreted in different ways, and those interpretations involve ideology in a general ideational sense, broadly represented by three stages of analysis.

The first stage is *perception*, that is the identification of what is considered important to study and interpret in social and, in this case, political life in the first place. The second is the choice of how to frame the research questions being asked. This process inherently entails choosing between and/or elucidating the relationships between different competing paradigms (Wolin 1960/2016) and/or philosophical issues (Strauss and Cropsey 1963/1987), interpreting structures and processes through value-laden lenses rather than through a dominant paradigm as in the natural sciences (Kuhn 1962). A third level involves choosing how to conduct the empirical analysis *per se* when the observer is a constituent part of the process himself or herself. Finally, the results of the exercise involve speculating on the further social and political implications of different potential trajectories—trajectories that cannot be predicted in advance and the interpretation of which is intrinsically normative.

In this context, any study of neoliberalism involves examining the concept along at least three dimensions. The first is to look at what sort of *explanations* of social and political life are presented by neoliberal theorists. The second is to examine the *normative prescriptions* that are being asserted. And the third is to ask how these explanations and normative prescriptions have influenced and, indeed, shaped how political actors, both neoliberal and otherwise, have developed and attempted to implement neoliberal or quasi-neoliberal practices and may have revised or even transformed them in the process.

Those explanations, even though they have become ideologically and politically hegemonic in recent decades, are highly problematic and have been widely challenged not only in political theory but also in wider political and social life, and, indeed, in so-called ‘renegade’ economic theory. Furthermore, the normative prescriptions of neoliberalism themselves have been modified and adjusted—even discarded—in diverse ways by political and social actors, leading to questions of whether what we have today is genuine neoliberalism or an adulterated form or diverse forms. Neoliberal theory and ideology involve several core conundrums or tensions: how to conceive and interpret human nature, the issue at the heart of all political theory; how to characterise the material world and the interaction between nature and nurture; and what sort of role the state and other political actors can and should play in these processes. While it has to a large extent diversified over recent decades, neoliberalism remains hegemonic despite increasing theoretical and practical challenges, the quasi- or pseudo-neoliberal ‘rationality’, ‘conduct’ or ‘governmentality’ (Dardot and Laval 2009); its practices have become embedded in world politics because of a lack of effective alternatives in a rapidly changing structural environment.

III. Neoliberalism in Theory: Explanations and Norms

At the very heart of neoliberal theory lies the concept of *competition*—not merely in the economic system but also in human society and progress more generally. The neoliberal concept of competition is seen as underlying human society in a range of ways that are theoretically distinct, on the one hand, but seen as congruent and mutually reinforcing, on the other. Each of these conceptions has been challenged in significant ways, but their synthesis is seen to be at the core not only of *efficiency* and *modernity*, but of how human nature can—or should—be understood. The first conception involves a quasi-biological interpretation of human nature. People are seen fundamentally and overwhelmingly as *individuals*, not the social animals seen

in classical Aristotelian political philosophy. The social derives from the *de facto* interaction of individuals, not from any overarching or inclusive set of social relationships. Furthermore, the interaction of individuals derives from their competition with each other, with their competing *interests*, whether material or immaterial. However, and this is the key to understanding how this interaction works in practice, competition is seen to be the most crucial factor in *economic* efficiency—competition over material goods and assets. Indeed, in the neoliberal canon, human progress lies not in production, as in much traditional liberal and Marxist theory, but increasingly in competition between individuals over *consumption* as well as social status in a more economically flexible world where choices are expanding across the globe.

In neoliberal theory, then, people are essentially and inherently concerned first and foremost with their economic well-being—their material survival and prosperity—as the essence of their social status and their very being. That imperative is at the core of the shift from pre-modern, hunter-gatherer, tribal, communal and collectivist societies, especially as represented by the neomedieval era, to modern (and postmodern) societies (Cerny 1998). The essence of this transformation is that people increasingly see themselves and others in the modern world as essentially economic, *entrepreneurial* animals—what has been called *homo economicus* (Laval 2007; Dardot and Laval 2009; Davies 2017; Plehwe et al. 2006; Biebricher 2018; Slobodian 2018; Davidson and Rees-Mogg 1997; and indeed, virtually every source on neoliberal theory). Economic, entrepreneurial ‘man’ (in traditional gender-laden language) is not only the driving force of progress, but also the key to future progress. It is the interaction of the parts that creates the whole, not the other way around. As Margaret Thatcher so famously said: ‘There is no such thing as society. There are individual men and women, and there are families. And no government can do anything except through people, and people must look to themselves first’ (interview in *Women’s Own* magazine, 23 September 1987).⁽¹⁾

But where does this behavioural essence spring from? Is it a ‘spontaneous’ order or is it man-made? If it is spontaneous, where and how does that spontaneity originate? And how holistic is this process? Does it have an overarching design, or are outcomes essentially accidental, stemming from ignorance rather than effective knowledge of others’ interests? There are several competing explanations in neoliberal theory.

The first explanation is biological. Competition and competitiveness are inherent in our bodily makeup. No two individuals have quite the same experiences, memories, complex relationships, physical/biological characteristics, etc., as other individuals, despite the social structures and processes they are embedded in. In this sense, people's individuality is inherently both rational and egotistical. The second explanation is essentially metaphysical or theological. People are individualistic, entrepreneurial, competitive beings because that is rooted in wider, universal factors, whether god-given or otherwise spiritual or metaphysical. Kotsko (2018) sees this explanation as essentially an ideological justification couched in terms of the spiritual inevitability of life, of the superiority of what Whyte elsewhere calls an 'invisible order.' In her study of the ideas of probably the main founder of neoliberalism, Friedrich A. Hayek, Whyte argues that Hayek invokes what she calls 'the reification of economic relations'. '[H]is account of spontaneous order relies on faith in the workings of the market, and submission to unintelligible market forces' (Whyte 2017: 1, 22).

A third explanation is evolution. As societies expand, economic requirements expand too. More people need more goods to live and to improve their lives, so a process of 'adaptive evolution' takes place—the 'survival of the successful' (Whyte 2017: 7; Duggan 2019). Competition between individuals grows as it becomes necessary to control ever-increasing material assets and resources. A fourth explanation is simply that competitive order is *not* essentially a 'spontaneous order', despite the apparent language of Hayek and others, but a different form of 'made order'—created and imposed, paradoxically, by government (Mirowski 2009). This version of neoliberalism is primarily embodied in German 'Ordoliberalism' (see especially Bonefeld 2017) and its variants, which will be considered later in this chapter. Finally, there is the ideological explanation—that competition involves the internalisation of norms. Neoliberalism and competitive individual entrepreneurship are 'good things' that people and governments *ought* to be putting into practice. All of these explanations, however, involve the same range of spontaneous and/or normative requirements. They involve the commodification of people (and of the soul) and the 'instrumentalisation of others' in a 'cosmological order of global competition' (Dardot and Laval 2013: 213-216). As Wendy Brown puts it: 'neoliberalism can become dominant as [Foucauldian] governmentality without being dominant as ideology' (Brown 2005: 49, quoted in Dardot and Laval, 2013: 309).

The central role of competition—and, crucially, of the *market* as the structural context and process through which competition is implemented and put into practice—has been widely critiqued in a range of literature since the inception of theoretical neoliberalism in the 1920s and 1930s and the various forms of implementation that have been put into political practice, especially since the 1970s (Slobodian 2018; Lindblom 2001; Stiglitz 2019).

The first criticism is that neoliberal understandings of individual behaviour are misguided. Competition is a derivative phenomenon of social life, not our core behavioural drive. In this context, neoliberals argue, for example, that inequality is a good thing insofar as it incentivises individuals to work harder, compete harder, and make that competition more effective and efficient.

However, critics argue that competition is not efficient by and of itself. Indeed, competition in a range of economic sectors leads not to efficient competition but to oligopolisation and monopolisation, especially where particular sectors are characterised by ‘specific assets’ in the sense used in the New Institutional Economics (Williamson 1975). Successful competitors seek to put their competitors out of business or to buy them out, not to continue competing with them in a skewed market. Rent-seeking replaces efficiency as the goal of economic actors. In one version of neoliberalism, the Chicago School, this *problématique* is overcome by the highly controversial view that monopolies can be the most efficient way to structure certain sectors, but this is widely contested (van Horn et al. 2011; Davies 2017: ch. 3).

Market systems therefore have to deal with a range of structurally deep-seated imperfections. Lindblom, for example, regards market systems as better than the alternatives, but he also specifies several ever-present problems of both structure and practice. These include: ‘spillovers among activities and sectors; monopoly in its many forms; corporate powers other than monopoly, including political power; managerial authority within the enterprise; entrepreneurial motivation; investment; and distribution of income and wealth’ (Lindblom 2001: 254).

As pointed out above, many analysts argue that market systems have to be imposed from top down by governments—as in Ordoliberalism. As Vanberg notes, the state has to have the strength to create and sustain the ‘conditions under which the “invisible hand” that Adam Smith had described can be expected to do its work’ (Vanberg 2015:29).

Lindblom does not include inequality and its psychological consequences in this list. However, as Peter Beattie argues:

‘[E]xperimental evidence reveals a strong psychological aversion to inequality, stronger even than pure self-interest. This is supported by the weight of anthropological and archaeological evidence, which indicates hierarchical, unequal societies are a relatively recent innovation, and for most of our species’ history we lived in ‘aggressive egalitarianism’ (Beattie 2019: 15).

Indeed, Beattie writes, inequality and competitiveness lead to increased ‘risk of depression, difficulties of cognitive functioning, and cynical hostility ... severity of depression, violent behaviour and suicide,’ with stress on families, psychological problems in children, and poor mental health generally.’ In contrast, ‘winners’ exhibit ‘dominance motives’, increases in materialistic values, hypocrisy, moral exceptionalism, egocentricity and lack of empathy for others, leading to entitlement, narcissism, dominance in workplaces, work-family conflicts, the commodification of sex, and corruption. ‘[P]eople in countries experiencing increasing inequality [are] becoming less happy.’ (Beattie 2019: 17-25). Thus the justifications for individual entrepreneurial behaviour may go against, not with, the underlying characteristics of human nature.

IV. Neoliberalism in Practice: From Crisis to Hegemony

Neoliberalism in practice has often been seen as a revival of what has sometimes been called ‘classical liberalism’ or ‘19th century liberalism’—i.e., a return to purer *laissez faire* principles and the ideology (and economic theory) of the self-regulating market. However, neoliberalism in its varieties paradoxically includes an active role for the state in designing, promoting and guaranteeing the free and efficient operation of the market (Plehwe et al. 2006; Mirowski and Plehwe 2009)—a kind of imposed *laissez faire* somewhat analogous to Rousseau’s image of people being ‘forced to be free’. Its rise has coincided with structurally transformative transnational and globalising developments.

Neoliberalism has therefore superseded ‘embedded liberalism’ (Ruggie, 1982) as the common sense and key ‘shared mental model’ (Roy, Denzau and Willett, 2007) of the evolving ‘art of governmentality’ in a globalizing world (Burchell, Gordon and Miller, 1991)—the common sense of the 21st century. Nevertheless, the embedding of neoliberal

discourse and practice is in turn transforming neoliberalism from a relatively closed doctrine associated with particular actors, governments, interest groups, political parties, international organizations and even academic schools of thought like the Mont Pèlerin Society (Mirowski and Plehwe 2009), into a hegemonic concept that is co-opting the whole spectrum of political life.

In particular, the globalization/fragmentation dialectic itself is drawing in a much wider range of political, economic and social actors. These include not only trade liberalisation, the shift of the international monetary system from fixed to floating currencies, the explosion of international capital mobility and integration of global financial markets, the expansion of multinational corporations, the growth of transnational supply chains, etc., but also network forms of business organisation, vast technological changes especially in information and communications technologies—the ‘intangible’ economy (Haskel and Westlake 2018)—but also economic actors involved in these evolving market structures and networks, business school academics concerned with developing global strategies, actors in transnational organizations, state actors in both traditional policymaking bureaucracies and ‘transgovernmental networks’, cross-border ethnic and religious groups, workers in high technology sectors, ordinary people linked through the internet and social media who do not need to move physically to participate in transnational society, and consumers whose preferences are for transnationally-produced goods and assets. Neoliberalism also increasingly appears in a diverse range of national types that unfortunately there is not space here to examine (cf. Ban 2016; Robison 2006; Beattie et al. 2019; Vail 2019; Kennedy 2018).

Neoliberalism’s main precursor, liberalism, is itself a complex mixture of meanings, reflecting the ambiguity of its central referent—the notion of freedom and, in particular, the centrality of the individual—rather than a more holistic conception of society. (There is not enough space here for a full treatment of liberalism: see Cerny 2013). In the first place, in neoliberalism more than liberalism, it is seen as crucial to proactively instill a culture of individualistic, market-orientated behaviour in people of all social classes—especially to counteract the ‘dependency culture’ of the Keynesian welfare state that was blamed for the slump of the 1970s. International regimes, too, have pursued similar goals, for example in the so-called ‘Washington Consensus’ of the 1980s and 1990s

(Williamson, 1990). Governments themselves and international institutions too, it was argued, should be imbued with market-friendly attitudes and practices. Second, barriers to international trade and capital flows should be progressively dismantled. The most efficient markets, in theory, are those with the largest numbers of buyers and sellers, so that an ‘efficiency price’ can be established that will ‘clear the market’ (Williamson 1975; Lindblom 1977). Thus the most efficient markets ought to be world markets. As Slobdian (2018) demonstrates, a major school of neoliberal thought since before the Second World War was the Geneva School, whose members sought to subsume nation-state level economic decision-making into a complex, multi-level global system. Neoliberalism in practice therefore became dominant as a reaction to the 1970s crisis of postwar European and American states, which had several dimensions. The most important ones for our purposes include the following:

The ‘fiscal crisis of the state’ (O’Connor 1973), in which the budgetary costs of social policies, public services, nationalized industries and bureaucracies were seen to grow faster than the tax base, feeding into a vicious circle of budgetary crisis and an endemic inflationary spiral, especially in the U.K. So-called conservatives (neoliberals) proposed reducing tax rates and cutting back government services with the aim, not only of re-imposing budgetary discipline, but also of producing additional economic growth that would result in higher tax payments despite lower rates—so-called ‘supply-side’ policies.

The partial breakdown of ‘social partnership’ or ‘neocorporatist’ arrangements that had become increasingly important in the 1960s for negotiating wages, working conditions, hiring and firing of workers, etc. (Lehmbruch and Schmitter, 1982; Goldthorpe, 1985; Eichengreen, 2006). The ‘stickiness’ of wages and the slowdown in investment attributed to these arrangements were blamed for economic stagnation (Middlemas, 1979).

International and domestic economic conditions, raising fears of a vicious circle of economic stagnation and decline. These conditions ranged from the reduction in the growth rate of world trade (and an actual brief decrease in 1982) along with an alarming rise in the ‘new protectionism,’ mainly through the introduction of ‘non-tariff barriers,’

on the one hand, to increasing ‘stagflation,’ or simultaneous stagnation and inflation, on the other.

The breakdown of that part of the Bretton Woods system concerned with maintaining the ‘adjustable peg’ system of managed exchange rates known as the ‘dollar standard’ or the ‘Gold Exchange Standard’. Endemic exchange rate crises that had first led to the end of the dollar’s link to gold (1971-73) were dramatically exacerbated by the Yom Kippur War of 1973-74 and the fourfold rise of oil prices that resulted, starting a process that led to further rises in inflation, interest rates and developing (sometimes called underdeveloped) countries’ debt that regularly erupted during the 1970s and early 1980s, entrenching the deepest recession since the 1930s (Strange, 1984).

At the same time, however, attempts to shift from Fordist ‘organized capitalism’ to neoliberalism in Germany, Austria, Scandinavia and elsewhere were mixed, given the historical ‘path dependency’ of political institutions and the variation of political coalitions and economic structures in different advanced industrial countries, reinforcing different patterns of ‘varieties of capitalism’ (Hall and Soskice, 2001). However, those varieties are increasingly seen as diminishing.

Neoliberalism has therefore made increasing inroads into the politics and economic policies of a range of countries and across the political and sociological spectrum. In the 1980s and 1990s, the British Labour Party, the Democratic Party in the U.S., the Socialist Party in France and the Social Democratic Party in Germany moved distinctly to the right in order to recapture the centre ground, with labels like ‘New Labour,’ the ‘New Democrats’ and the ‘Third Way’. The European Union (EU) adopted neoliberalism as a driving force too, not merely in terms of competition policy and the development of the single market after 1985, but also through the evolving discourse of European integration (McNamara, 1998).

This process was not limited to the developed world. Bureaucratic authoritarian governments in the developing world, especially those mired in the debt crisis of the early 1980s, found their quasi-nationalist, quasi-socialist coalitions based on import substitution industrialisation dissolving in hyperinflation and crony capitalism.

Neoliberalism in various forms—including what has been called ‘authoritarian neoliberalism’ (Bruff and Tansel 2019)—has become the preferred economic policy program by elites in China, India, Brazil, and South Africa, the main middle-income developing countries, as well as in the ‘Asian Tigers’ and increasingly in poorer countries too. Endemic financial and economic crises from the Latin American debt crisis of 1982 to the Asian and Russian crises of 1997-98 and the Argentine crisis of 2001-02 demonstrate that adjustment to neoliberal policies and structural reforms can be a very painful and politically divisive experience. The key debates about neoliberalism have revolved around whether globalization in its neoliberal manifestation is inevitable and whether there is a long-term process of ‘convergence’ taking place across the world—one which cuts across the levels of analysis distinction and affects domestic and international politics alike (Hülsemeyer, 2003).

V. Dimensions of Neoliberalism

Convergence is seen to have several dimensions. The first concerns the reduction of barriers to trade and capital flows. Free trade is in many ways the core building block of both embedded liberalism and later neoliberalism. This process has been accompanied by a growing consensus that new trade barriers lead to a vicious circle of retaliation, leaving all participants worse off. Furthermore, the debate on international capital mobility today focuses chiefly on how to institute effective financial regulatory systems at the national, regional (European, North American and Asian) and international levels in order to smooth adjustment to an open global capital markets regime, often called the ‘international financial architecture’. Another aspect of economic globalization, the internationalization of production, linked to both trade and financial liberalization, concerns the increasing acceptance of a leading role for multinational corporations (Henderson et al. 2002).

The second key dimension of neoliberalism is the reform of national finances, that which has been called ‘embedded financial orthodoxy’. The central feature of this process is the control of inflation. A vicious inflationary cycle was seen to be at the heart of the crisis of the advanced economies during the 1970s, when political demands by powerful interest groups were seen, especially by the conservative Right, to lead not

only to a worsening ‘wage-price spiral’ but also to ‘overloaded government’ (Rose, 1980). Inflation had to be ‘wrung out of the system’ before markets could be freed up so as to work efficiently. This is the key to *price efficiency* as the core of neoliberal economic thought. With regard to developing countries, this inflationary cycle of decline was even more complex, involving overdependence on import substitution policies; featherbedded industries; state-owned or supported banks providing cheap loans to such businesses, often with a government guarantee and little hope of repayment; overextended and overstaffed government bureaucracies; a declining tax base; crumbling welfare states and public services struggling to counteract rising discontent from workers and poor people hit by rising prices on the one hand and falling incomes and state benefits on the other; and increasingly authoritarian superstructures trying to keep the system from collapse, often in the face of popular guerrilla movements. Defeating inflation therefore often involved fundamental regime change.

Beyond basic anti-inflationary policies, lower taxes have become a key part of the neoliberal consensus on both the Left and Right and in some countries, especially the United States, have been the centerpiece of vote-winning strategies. Balanced budgets are in theory another central tenet of embedded financial orthodoxy, although they are often more honored in the breach than in reality. Another aspect of embedded financial orthodoxy has been the drive to reform state ministries and agencies in order to reduce waste and make them operate according to the same sort of efficiency standards used in successful businesses (Datz 2007). Finally, macroeconomic management is generally carried out more through monetary rather than through fiscal policy. The result has been a ‘financialisation’ of both business and public policy.

The third dimension of neoliberalism is a sea change in the character of state intervention in the domestic economy. Traditionally, both socialist and social democratic approaches to state intervention could be characterized as ‘outcome-oriented,’ and in the postwar period the key objectives of public policy were economic growth, the promotion of industrialization, full employment, and a limited amount of redistribution of wealth and income through the tax system and the welfare state. Increasingly, however, such substantive, more direct interventionist goals have given way to regulation and the ‘regulatory state’ (Moran, 2003; Levi-Faur and Jordana, 2005).

The understanding of ‘regulation,’ however, one developed mainly in the US, involves what has been called ‘arms’-length regulation’—i.e., that the role of ‘regulators’ by definition is not to intervene in order to produce particular outcomes, but rather is to establish and enforce general rules applicable to a particular sector, industry or service in order to make it work more efficiently in the economic sense of the term. The ostensible purpose of these rules has been to prevent fraud, promote competition and restrict monopolistic and oligopolistic practices, counteract ‘market failures,’ enforce contracts and property rights, and generally provide a quasi-legal environment for actors—mainly private market actors—to operate in efficient market fashion.

Neoliberals are seriously divided on one key aspect of this process. Some neoliberals in the 1970s and 1980s argued that markets would be automatically efficient and self-regulating—the so-called ‘efficient market hypothesis’—if left alone. However, other neoliberals argued that it was the *type* of regulation that mattered, and that arms’-length ‘prudential’ regulation was necessary in order to promote efficient market behaviour. Deregulation, in effect, was never really deregulation; it increasingly became the replacement for outcome-oriented and discretionary interventionism with new market-friendly regulations—a form of pro-market or pro-competitive re-regulation. Indeed, in many cases the new regulations were more complex and onerous than the old type (Mirowski 2009). A well-known example is the regulation of insider trading in financial markets (Cerny 1991; Tooze 2018).

Thus pro-market regulation can paradoxically be actually more intrusive than traditional forms of direct government intervention. The arms’-length regulatory model is increasingly used to restructure public and social services (Evans and Cerny 2003; Jessop 2002). Moran argued that the culture of ‘hyper-innovation’ characteristic of the new regulatory state is more intrusive and centralizing than ever (Moran, 2003). The core of the regulatory approach is contractualisation and ‘*ex post*’ regulation—i.e., that behaviour is not constrained *a priori* (or *ex ante*), but is agreed on a contractual basis and then subject to later litigation when and if rules are broken, especially through independent regulatory agencies, sometimes called ‘agencification’. The main legal aspects of this process are property rights, patent law, the marketisation of the public sector (whether under private or public ownership), and crucially, austerity.

Such rules-based systems require extensive monitoring and surveillance in order to determine whether agreed performance indicators or targets have been met. ‘It’s through auditing, monitoring, ranking, etc., that individuals actively participate in and recreate neoliberal norms ... no matter what they think or believe at an ideological level’ (Simon Choat, personal communication). Ever more aspects of economic life are today subject to extensive regulation of this sort, imposed by governments of both Left and Right. Indeed, one of the main roles of the International Monetary Fund, the World Trade Organization and the World Bank today is to proselytise the regulatory creed and spread their version(s) of ‘best practices’ throughout the world. There is a whole new academic industry emerging around the analysis of regulation in a global context, both critical and problem-solving (Jayasuriya, 2010; Jordana and Levi-Faur, 2005; see the journal *Regulation and Governance*).

The fourth core dimension of neoliberalism concerns the role of the private sector and its complex interaction with public sector institutions and mechanisms in a range of contexts. Neoliberalism has always involved the privatisation of many public and social services and experimentation with mixed public-private productive and distributive goods. However, the emphasis has shifted from the direct sale of government-controlled industries to the private sector, to ‘contracting out’ services, the development of public-private partnerships (PPPs) and the use of private sources of finance for public purposes; an example is the UK’s Private Finance Initiative (PFI) for the construction and, sometimes, operation of schools, hospitals, prisons, etc. (Dunleavy, 1994). Opponents argue that such services have a public character that is undermined by privatisation, especially where combined with austerity (Blyth 2013). Another objection is that cost savings have not materialised and that governments have assumed private contractors’ financial risks where cost overruns and quality deficiencies have occurred, as with Capita, Carillion and Virgin Rail recently in the UK. In this sense, neoliberalism involves the semi-fragmentation of government—what Machin and Wright (1985) called the ‘splintered state’ and Slaughter (2004) the ‘disaggregation’ of the state.

VI. The Politics of Neoliberalism

What is remarkable about neoliberalism is that it would appear to be ‘overdetermined’. In particular, the role of the nation-state has changed dramatically since the middle of the

20th century. Macroeconomic policy is increasingly constrained by the integration of international markets, leading to a convergence of monetary and fiscal policies and policymaking processes, including tax competition, the convergence of interest rates, the trend towards politically ‘independent’ central banks, and the like. Regulatory policy is increasingly affected by regulatory competition or ‘arbitrage’. Industrial policy has been transformed by the transnationalisation and flexibilisation of production, and is increasingly targeting niches that must be internationally competitive to survive, including many small- and medium-sized firms. Barriers to cross-border trade and capital flows are being reduced, however unevenly. Social policies are being both marketised and reoriented towards compensating losers. And perhaps most salient of all at the present time, environmental problems such as climate change can only be tackled through extensive cooperation, constituting a crucial challenge to national policy autonomy that states are having serious difficulty adjusting to given their other policy priorities.

Neoliberal discourse and normative principles have proven to be a particularly flexible resource in this institutionally complex and even messy world. Interests and interest groups are less rooted in domestic society and more locked into transnational and international patterns. Of course, such changes provoke backlashes from those at the sharp end. In the short term, such pressures can seem very strong, whether anti-globalization, anti-deregulation (like the Occupy movement in the wake of the 2008 financial crisis), or populism. However, what is perhaps most striking is that these backlashes rarely alter the wider trend towards openness (Crouch 2011). Traditional ‘sectional groups’ such as businesses, trade associations and trade unions seek to develop active, organized cross-border networks. The most effective groups are those that are able to proactively articulate their activities on a multiscalar basis, for example by coordinating local-level and grass-roots-type organizational activities with pressure on provincial authorities, media campaigns, traditional methods of influencing national governments, legal action through courts and quasi-legal administrative bodies, recourse to and coordination with international regimes, pressuring and negotiating with multinational businesses and the like at the same time. In this process, groups cannot merely call for authoritative action by hierarchical governments. They must also appeal to consumer interests, formulate innovative regulatory proposals, seek private-sector

solutions such as ‘corporate social responsibility’ guidelines (Lipschutz and Rowe, 2005). Involvement in transnationalising firms, market structures and networks also generates a different kind of economic consciousness, requiring skills that are transferable across borders, and a concept of economic efficiency and profit that links the individual with the global context. For example, financial regulators are likely to have far more in common with their interlocutors in other financial regulatory agencies, financial services regimes and trade associations, etc., in terms of norms and understandings of how to deal with financial globalization, than they will with politicians and bureaucrats in other parts of their own state apparatuses (Baker et al. 2005)..

A third process involves political actors interacting with the expanding range of diverse international organizations, regimes and other organs of ‘global governance’. These are staffed by people who see themselves as having an inherently more global perspective than those who work in national governments. They seek to make those institutions increasingly autonomous of their formally intergovernmental sponsors. To the extent that such actors are able to entrench their positions, they will be able to both protect and expand their organizational ‘turf’ while at the same time further embedding neoliberalism as the common sense of evolving global governance. In this context, social actors are also a key transnational category. Issues of global inequality, environmental degradation and challenges to the welfare state have mobilized a wide range of actors, including transnational value groups and ‘global civil society’, cross-border ethnic and religious groups, and ordinary people linked through the internet who do not need to move physically to participate in transnational society. Local and global actors interact through ‘global microspaces’, ‘transnational circuits’ and ‘shifting spaces’ (Sassen, 2007). In all of these cases, actors have sought to craft new ways to navigate among the different levels and nodes of a complex, transnationalising system.

Therefore in the evolving world of embedded neoliberalism, the dominance of the discourse of neoliberal ideas gives actors who participate in the embedded neoliberal consensus not only greater ability to proactively design creative quasi-neoliberal responses and solutions, but also to entrench, through socialisation, *a priori* anticipated reactions that internalise neoliberalism in the way people frame political and economic issues (Plehwe et al. 2006). At the same time, the major international

economic institutions, the leading developed states and many non-governmental organizations (NGOs) increasingly emphasize ‘good governance’ and democratisation as key objectives necessary for stability and growth. Indeed, some analysts would include these as a fifth dimension of the embedded neoliberal consensus, what have been called ‘regime complexes’ (Alter and Raustiala 2018). Similarly, the World Social Forum and other non-governmental platforms have shifted the focus of advocacy group debate from anti-globalization to alternative approaches to globalization. Neoliberalism, with its mixture of institutionally backed free-market liberalism at intersecting levels, arms’-length regulation, institutional flexibility and international openness, has proven to be a relatively manipulable and fungible platform for actors to use to reconstitute their strategies and tactics. This is particularly true of what Lindblom (1977) called ‘the privileged position of business’ (Eberlein 2019) and the increasingly institutionalized actors whom Slobodian (2018) has called ‘globalists’.

VII. The Paradox of the Neoliberal State: In the Shadow of Ordoliberalism

There have been several overlapping, interacting but also competing neoliberal schools at least since the early days of the Mont Pèlerin Society: the Austrian School, which represented the more *laissez faire* tradition of classical liberal economics (Peters 2016); the Chicago School, mentioned earlier, which overlaps with what is often called the Anglo-American School, which promoted a range of legal prerequisites but abandoned the antimonopoly strain of neoliberalism (van Horn et al. 2011), the Geneva School, which emphasised the need to reconstruct governance at a global level (Slobodian 2018), and the Ordoliberal Freiburg School (Bonefeld 2017). I will argue here that Ordoliberalism has been particularly crucial to the evolution of neoliberalism because it has addressed the tensions by promoting a strong state to impose competition, markets and entrepreneurial man—*homo oeconomicus*—more systematically than the others, while attempting to blend it with the non-market aspects of capitalism. Ordoliberalism (closely associated with what was in fact called neoliberalism in Germany) is about a strong ‘constitutive rule-based economic order’.

Nevertheless, the core dynamic of both Ordoliberalism and so-called ‘paleoliberal’ neoliberalism—more closely related to the Austrian School and parts of the Anglo-American School—is still marketisation. Efficient markets, regulated by the price mechanism, are seen

as the *raison d'être* of successful capitalism. For both, the most crucial condition for market efficiency is competition. However, Ordoliberalism diverges from the others on the requirements for effective competition. Anglo-American neoliberals see the market as a 'spontaneous order' with a minimal role for the state while Ordoliberals believe markets left to their own devices are prone to systemic anti-competitive cartelisation and rent-seeking by capitalists, labour unions and bureaucrats. Competition therefore must be promoted, enabled and enforced not only on industry but also on trade unions and other interest groups by a strong pro-competitive state through 'commodifying' regulation. Ordoliberalism in theory and practice (and to a large extent Anglo-American neoliberalism in practice) has involved extensive *ad hoc re-regulation* in response to complex, unforeseen events such as the global financial and Eurozone crises and other market failures and inefficiencies. It has become more regulatory and interventionist *de facto*. These diverse policy prescriptions can not only conflict in practice but also appeal to different constituencies, pressure groups and political and bureaucratic actors, making it difficult to pursue a coherent policy programme without a strong coalition and a centralised governmental structure. Ordoliberalism is no longer simply a German phenomenon; it is an inherent part of the trajectory of neoliberalism everywhere.

Thus there are significant gaps between neoliberal theory and practice, allowing 'ideational entrepreneurs' to change its trajectory. Perhaps most important in terms of its resilience—and its widespread acceptance among mass publics—neoliberalism is discursively powerful (Plehwe, Walpéh and Neunhöffer 2006). As pointed out earlier, there is little public desire to go back to the high inflation and unemployment of the 1970s, despite the crises and instabilities of neoliberalism itself and a certain nostalgia for the secure employment and the welfare state of those times, and there is little in the way of coherent conceptions of how to move forward, past neoliberal capitalism to either a newly localised or a globalised post-capitalist economy. Powerful interests are vested in the concept; and neoliberal policy approaches have been embedded in key institutions—especially the European Union and the Eurozone, but also in the United States, the developing world (Öniş and Şenses 2013) and even China (Breslin 2014).

However, running through all these approaches are two underlying independent variables. The first is a structural transformation—globalisation. As noted earlier, probably the most important factor in the embedding of neoliberalism, as noted above, was the crisis of the postwar mixed economy, neocorporatism and welfare state in the 1970s and 1980s (Biebricher

2018). The most significant policy shift resulting from the economic crises of the 1970s and 1980s therefore was a growing focus on causes *external* to those domestic state policymaking apparatuses which had dominated capitalist development since the Second Industrial Revolution. The Third Industrial Revolution of flexible production systems and the revolution in information and communication technologies increasingly stretched across borders. The service sector and white-collar jobs grew while traditional blue-collar occupations shrank. Finance and investment became more and more globalised. These material conditions dramatically increased awareness of global realities, but also of its potential pitfalls.

Secondly, in this rapidly evolving environment, the role of the capitalist state itself has been transformed. Welfare functions have been reduced and industrial policy and state investment in parastatal firms, research and development, infrastructural investment and ‘national champions’ cut back and austerity imposed. Rather than one clearly set out ideology or set of policy prescriptions, however, the evolution of neoliberalism involves an uneasy admixture of *de facto* policy responses. The market is increasingly seen as coming to embody the social, as analyses of Germany’s postwar Social Market Economy have pointed out, despite the various compromises and limited social policies that were involved (Hein 2013). In Ordoliberal theory, in contrast to mainstream capitalist economic thinking, this was not a spontaneous bottom-up restructuring coming from markets themselves. Rather, it was created *by* the state, regulated by contract law and private property rights in which individuals are legally designated as autonomous agents. The core of Ordoliberal theory, therefore, was that left to themselves market actors will act in hierarchical and ‘opportunistic’ ways, seeking to control markets and prices, create cartels and monopolies, extract ‘rents’, and, worst of all, ally and collude with state actors to impose forms of centralised planning, fundamentally undermining both competition and efficiency.

This was the core message of Hayek’s *The Road to Serfdom* (Hayek 1945; for a comprehensive critique, cf. Finer 1946), although his relationship with the Ordoliberal school is complicated.

(2) The alternative to potential ‘serfdom’ was not to trust Keynesian, industrial policy or welfarist attempts to stabilise and promote capitalism, as these would inevitably lead to centralised planning—a fear deeply felt in the wake of Nazism, corporatist Italian Fascism, and Stalinist planning. However, while certain kinds of welfare state were seen as a foot in the door towards centralised planning, Ordoliberals and neoliberals in the Mont Pèlerin Society were

divided amongst themselves about how far such limited state intervention should go and what it should include. Many participants supported a range of basic welfare measures designed to create a floor to permit the impoverished to take advantage of market opportunities and become competitive; for example, Walter Eucken, probably the most prominent postwar Ordoliberal economic theorist and founder of the Freiburg School, believed that the welfare state was a crucial component of the Ordoliberal or ‘social market’ approach. There was even support for some economic stimulus measures, especially in downturns and crises, for state ownership of ‘natural monopolies’ such as utilities and railways, for strong anti-cartel regulation and the breakup of large firms, for support for small businesses and ‘urban deconcentration’, the reduction of inequality, and the like—so long as these measures promoted competition in the economy more generally and, crucially, enabled and reinforced the free working of the price mechanism.

The key issue was the role of the state. For most Ordoliberals, the ‘modern’ state’s role of correcting market failures through ‘decommodifying’ intervention—taking a range of businesses and socio-economic activities out of the market—was turned on its head. On the one hand the market economy had to be ‘denaturalised’. ‘Markets according to this reasoning are not naturally emerging phenomena; they have to be established in order to come into existence.’ On the other hand, it could not work, or even exist, unless it was created *and enforced* by the state. Even more importantly, ‘markets are not self-sustaining institutions’ (Biebricher 2018).

What this role of the state would turn out to be in practice was highly contested. Measures beyond fairly minimal support for those in unavoidable poverty were often seen to result in a vicious spiral of state hierarchy and monopolistic behaviour. As Jackson notes, ‘The difference between their liberal philosophy and central planning, they argued, was like that between, on the one hand, constructing rules of the road to bind all drivers to the same general regulations, as in the Highway Code, and, on the other hand, ordering drivers where to drive’ (Jackson 2010: 138). Vipond has called this ‘design regulation’ in contrast to ‘outcome regulation’ (Vipond 1993).

Ordoliberalism is of course a contested concept. It can be both narrow and broad. I define it here as generally involving five elements. In the first place, Ordoliberals posit that efficient markets are ‘made, not born’, that is, they are not ‘spontaneous orders’. Furthermore, they

argue that making markets work efficiently requires ‘constitutive rules’—that is, ‘design regulation’ or ‘rules of the road’ rather than outcome-oriented, redistributive intervention. In this context, the key ‘constitutive rules’ involve monetary stability and ‘liability’, but the list is often longer and flexible. For example, Nedergaard and Snaith identify several ‘Ordoliberal principles’ that are relevant to the Eurozone crisis: avoid limits on liability: debt should be individualised and fully subject to market pricing; primacy of price stability: maintain low inflation (sub-2 per cent inflation); predictability and regularity in economic policy; institute an economic constitution; restraint in macroeconomic steering: an independent central bank—the ECB; economic stabilisation policy: maintain low public deficits (Nedergard and Snaith 2015: 7). These rules are seen to be a necessary precondition for the price mechanism to work efficiently and therefore for markets to work well.

Postwar German Ordoliberalism and the social market economy, however, involved significant compromises. Michel Foucault argued that there was a clear trajectory from Ordoliberalism to neoliberalism in general from the 1930s to the late 1970s (Foucault 2008), but this has been disputed and the Anglo-American version is widely seen as quite distinct (Davies 2017). Nevertheless, neoliberal policies in practice, although legitimated by and elaborated through the paleoliberal rhetoric of Reaganism and Thatcherism, are in effect inextricably intertwined in practice with a kind of virtual Ordoliberalism, not as opposites but as a *spectrum* where policymakers are increasingly having to ‘muddle through’ by producing more and more supposedly arm’s-length regulation. However, these developments have not led to a ‘paradigm shift’. They are still seen as anomalies, not undermining the fundamental principles of neoliberalism itself, but representing political compromises in reaction to specific market failures and popular pressures—especially what has been called ‘compensating losers’ in a rapidly evolving, globalising world.

Indeed, the neoliberal paradigm has been embedded precisely because of its shape-shifting properties. Thus what might be called the ‘deregulatory paradigm’ at Anglo-American neoliberalism is dying in practice. Regulation is back, expanding and taking new and more constraining forms, from banks and non-bank financial businesses (‘shadow banking’) to the infrastructures of other businesses and social services. For example, the shift of the state towards the New Public Management requires *more* regulation, not less. Rather than bureaucratic hierarchies exercising direct control over the provision of public services and the

management of publicly owned industries, those services and industries have to be closely regulated at arm's length if efficient organisation and delivery are to be achieved. Siems and Schnyder argue that 'Ordoliberal lessons' are about 'different kinds of regulation, not more regulation' (Siems and Schnyder 2014), but the one is leading to the other. Regulation today is about both less onerous, decommodifying regulation and more pro-market, commodifying regulation, in a state of dynamic tension, whether involving gridlock in the US, the crisis of the Eurozone, *ex post* rather than *ex ante* financial regulation (Cerny 2014), or the challenges of global environmental politics (Kütting and Cerny 2015).

Outcomes are shaped by the interaction of interest groups and 'transgovernmental networks' rather than by *either* sovereign states or global governance. At the same time, although regulations are proliferating, they are often ineffective. For example, in the issue area of financial regulation, Goldbach argues that as regulators attempt to construct cross-border, transnational or 'global' rules, the paradoxical result is the watering down of state-based regulations and the creation of new loopholes and opportunities for regulatory arbitrage (Goldbach 2015).

Ironically, then, the more neoliberalism becomes embedded in political culture, the less effective it becomes in practice. This paradox is best illustrated in the titles of Steven K. Vogel's book *Freer Markets, More Rules* (Vogel 1996) and Andrew Gamble's *The Free Economy and the Strong State: The Politics of Thatcherism* (Gamble 1994). (*Freie Wirtschaft—starker Staat* was a phrase coined by neoliberal theorist Alexander Rüstow in 1932.). However, confusion of the two strands is widespread. Hien argues that it was in fact a political compromise between Protestant Ordoliberals and Catholic neocorporatists in Germany, neither of which are 'neoliberal' in the Anglo-American sense (Hein 2013). Similarly, Young attributes the Social Market Economy to a combination of Ordoliberalism and a quasi-Keynesian compromise enabled by the Marshall Plan and, even more crucially, the London Debt Agreement of 1953, which relieved Germany of 50% of its external war debt during its crucial recovery phase, leading to the formal adoption of a limit on state debt—the 'debt brake'. More recently, writers have attributed to the rigid German stance on Greek debt in the crisis at the time of writing to a misreading and misunderstanding of Germany's own history (Young 2014).

Nevertheless, Anglo-American neoliberalism started taking a different turn, toward what would come to be taken for granted from the 1970s and 1980s onwards—paleoliberalism, ‘with its roots in the libertarianism of the nineteenth-century ‘liberal creed’’ (Paton 2012). While more recent literature on neoliberalism examines the Ordoliberal/neoliberal transmutation in some detail, much writing still sees neoliberalism almost entirely in its Anglo-American version (Harvey 2005). The core of this version involves not the construction of the kind of ‘strong state’ in the sense that Bonefeld (2017) uses it, but of a weak state. As Ronald Reagan stated in his inaugural address: ‘government is not the solution to our problem; government is the problem’.

The Anglo-American neoliberal approach, in partial contrast to Ordoliberalism, then, has several evolving dimensions, all of which have become increasingly problematic. As mentioned earlier, these include:

- A shift from a focus on antitrust regulation to a belief that monopolies and oligopolies, when they are seen as the efficient *outcomes* of market competition, are not to be broken up but favoured, stemming from the views of the main Chicago School neoliberal theorist, Milton Friedman (Friedman 1962; Davies 2017).
- A shift on patent protection from seeing it as a form of cartelisation to celebrating it as a form of competitive entrepreneurship (Van Horn and Klaes 2011).
- An emphasis on privatisation of previously nationalised industries and, in particular, the question of how to regulate privatised utilities to make them more efficient than their public predecessors; most traditional Ordoliberals were more open to state intervention in this issue area, whereas in practice neoliberals have been forced to improvise extensively.
- The New Public Management and the quasi-privatisation of public and social services, including public-private partnerships; inefficiencies have grown significantly in this issue-area (Hood and Dixon 2015).
- Education, training, youth policy, and so on, which are meant to enable young people to compete while cutting related ‘welfare’ costs.
- Performance-related pay (and individual reviews) imposed by new hierarchical structures, target-setting, and the like, in both public and private sectors (Dardot and Laval 2009: 402-454).

- Labour market regulation—ostensibly deregulation, but in fact involving the imposition of new regulations restricting collective action, labour unions, and so on.
- Trade liberalisation, in particular moving from the lowering or elimination of tariff barriers, mainly dealt with through prior trade agreements, to the dismantling not only of specific non-tariff barriers but also the ability of governments and, especially, foreign companies to challenge domestic regulations deemed to restrain trade, including features like Investor-State Dispute Settlement and challenges to social and public services.
- Financial regulation, especially the *reregulation* of banking and shadow banking in the wake of the post-2008 global financial crisis, which are nevertheless able to manipulate or avoid change (Cerny 2014).

Ultimately these issues lead to questions about democracy (Brown 2015). Both Ordoliberalism and neoliberals believe that real democracy lies not in the expression of public opinion through elections and party politics but through consumer choices and market mechanisms, especially in the relationship of supply and demand through competition as fused in and controlled through the supposedly self-regulating price mechanism. As Hayek said: ‘Personally I prefer a liberal dictator to democratic government lacking liberalism’ (interview in *El Mercurio*, 1981).

VII. Towards Ever More Post-Ordoliberalism?

As I argue in this chapter, neoliberalism has become hegemonic in practice primarily because of the transformations involved in the Third and Fourth Industrial Revolutions and the developing dialectic of globalisation and fragmentation of political economy that is resulting. In all these issue areas, regulation and state intervention are often being reinvented on the hoof, creating new hybrids, especially where resistance and behaviour not consistent with the new paradigm of ‘neoliberal/entrepreneurial man’ cannot be overcome simply by pro-competitive ‘constitutive rules’. This is an old conundrum, as noted earlier—people having to be ‘forced to be free’. I would argue that embedding competition between individuals and groups through competitive tests, personal assessments and supposedly ‘meritocratic’ selection processes—including access to increased income—from educational establishments to businesses to bureaucracies is creating far more losers than winners and, indeed, leading to opportunistic manipulation of outcomes (Heffernan 2014). Despite the hegemony of neoliberal discourse, therefore, we are moving into a world where pro-competitive constitutive rules are leading not

to effective regulation by sovereign states, nor to more coherent and effective global governance, but rather to an unstable *post-Ordoliberal* world of ineffective *ad hoc* incrementalism and improvisation, indebtedness (Graeber 2011), and increasing inequality, as the debate sparked off by French economist Thomas Piketty has demonstrated (Piketty 2014).

While ‘renegade’ economists such as Joseph Stiglitz (2019), Mariana Mazzucato (2018), Steve Keen (2017) and Paul Collier (2018), among others, clearly identify the structural problems with neoliberalism, most economists are puzzled by its incoherence in practice and struggle to come up with a viable alternative. In a recent posting to the *Brookings Brief*, Brookings Institution Senior Fellow Isabel Sawhill writes: ‘I don’t know what a new paradigm would look like. I’m still a little sceptical but I’m prepared to at least start thinking about it’ (7 May 2019).

Garrison Keillor described what we might think of as the ideal neoliberal community in his widely listened to public radio show since 1974: ‘Well, that’s the news from Lake Wobegon, where all the women are strong, all the men are good looking, and the children are above average.’ The ideal of a neoliberal society and economy populated by Ayn Rand’s ultra-neoliberal type of superior entrepreneurial individuals, whether out of human nature or imposed by a strong Ordoliberal state, is a myth. But it is a myth that has a deep hold on economic actors, policymakers and, indeed, the public at large. In a world of globalisation and fragmentation, the paradox of neoliberalism is that it leads to a political and economic practice that is anachronistic, but still essentially unchallenged in policy and governance. As cultural historian Lisa Duggan has argued in her critique of the Rand’s philosophy, we are increasingly living in a world of ‘Zombie Neoliberalism’ (Duggan 2019).

1. It must be pointed out, however, that the notion of family has always played a residual but crucial socialising role in neoliberal theory, underpinning and enabling effective individual competition in the wider political economy (Cooper 2017).

2. Whether Hayek should be considered an Ordoliberal is highly controversial, as he is generally thought to be closer to the Austrian School. Some authors like Werner Bonefeld and Wolfgang Streeck see his concept of the Rule of Law as essentially Ordoliberal, but its relationship with the concept of ‘spontaneous order’, central to the Austrian School, is not clear. He also had close ties with Ordoliberalism and spent some time at the Freiburg School. Like Bonefeld (personal communication), I regard him as a ‘bridge’ between Ordoliberalism and the Austrian School; as Wolfgang Streeck writes, ‘The most important liaison between the two was, of course, Friedrich von Hayek, who for a few years occupied a chair at Freiburg, the academic home of the German Ordoliberal School’ (Streeck 2015).

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